

EASTERN SHORE PUBLIC LIBRARY

(A Component Unit of the County of Accomack, Virginia)

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

DUNHAM, AUKAMP & RHODES, PLC
Certified Public Accountants
Chantilly, Virginia

EASTERN SHORE PUBLIC LIBRARY

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2021-2022

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EASTERN SHORE PUBLIC LIBRARY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Governmental-wide Financial Statements	
Governmental Fund Balance Sheet / Statement of Net Position	4
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances / Statement of Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Notes to Financial Statements	8-30
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	31
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	32
Schedule of Employer Contributions - Pension	33
Notes to Required Supplementary Information - Pension	34
Other Supplementary Information	
Schedule of Revenues – Budget and Actual – General Fund	35
Schedule of Expenditures – Budget and Actual – General Fund	36
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38

Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

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Chantilly, VA 20151

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Eastern Shore Public Library
Accomac, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Eastern Shore Public Library (a component unit of the County of Accomack, Virginia), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Eastern Shore Public Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Eastern Shore Public Library as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eastern Shore Public Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Eastern Shore Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Shore Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Eastern Shore Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of changes in the Eastern Shore Public Library's net pension liability and related ratios, and the schedule of employer contributions on pages 31 through 34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

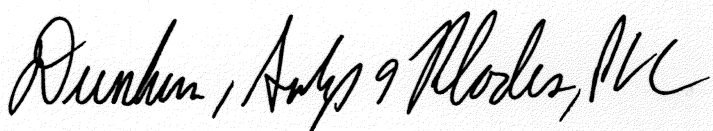
Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastern Shore Public Library's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the Eastern Shore Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Eastern Shore Public Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Shore Public Library's internal control over financial reporting and compliance.



Certified Public Accountants
Chantilly, Virginia

December 15, 2022

**EASTERN SHORE PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Primary Government			Component Unit
	Governmental		Statement of	Eastern Shore
	Funds	Adjustments	Net Position	Public Library
				Foundation
ASSETS				
Cash and cash equivalents	\$ 403,441	\$ -	\$ 403,441	\$ 349,408
Beneficial interest in agency fund held by third party	-	-	-	541,858
Contributions receivable	-	-	-	75,705
Prepaid expenses	8,666	-	8,666	3,986
Capital assets				
Nondepreciable: Land	-	5,000	5,000	-
Depreciable, net	-	562,953	562,953	-
Security deposit	-	-	-	300
Net pension asset	-	30,776	30,776	-
Total Assets	<u>412,107</u>	<u>598,729</u>	<u>1,010,836</u>	<u>971,257</u>
DEFERRED OUTFLOWS OF RESOURCES				
Items related to pension	-	82,186	82,186	-
Total Deferred Outflows of Resources	<u>-</u>	<u>82,186</u>	<u>82,186</u>	<u>-</u>
LIABILITIES				
Accounts payable	8,379	-	8,379	875
Deferred revenue	-	-	-	15,641
Accrued payroll and related liabilities	1,746	-	1,746	-
Compensated absences	-	17,458	17,458	-
Term loans payable	-	-	-	142,591
Total Liabilities	<u>10,125</u>	<u>17,458</u>	<u>27,583</u>	<u>159,107</u>
DEFERRED INFLOWS OF RESOURCES				
Items related to pension	-	144,852	144,852	-
Total Deferred Inflows of Resources	<u>-</u>	<u>144,852</u>	<u>144,852</u>	<u>-</u>
FUND BALANCES/NET POSITION				
Fund balances				
Unassigned	297,882	(297,882)	-	-
Total Fund Balance	<u>\$ 297,882</u>	<u>(297,882)</u>	<u>-</u>	<u>-</u>
Net position				
Investment in capital assets		567,953	567,953	-
Restricted - nonspendable corpus		-	-	373,731
Restricted - library operations		8,000	8,000	147,918
Unrestricted		344,634	344,634	290,501
Total Net Position		<u>\$ 920,587</u>	<u>\$ 920,587</u>	<u>\$ 812,150</u>

The accompanying notes to financial statements are an integral part of this statement.

EASTERN SHORE PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Primary Government			Component Unit
	Governmental	Adjustments	Statement of	Eastern Shore
	Funds		Activities	Public Library
				Foundation
REVENUES				
Fee revenue				
Fines, fees, and other	\$ 4,680	\$ -	\$ 4,680	\$ -
Local governments				
Accomack County	456,916	-	456,916	-
Northampton County	263,618	-	263,618	-
Grants	55,750	-	55,750	-
Intergovernmental				
Commonwealth of Virginia - state aid	289,643	-	289,643	-
Donations and gifts	248,433	-	248,433	413,954
Special events	-	-	-	8,082
Reimbursements and miscellaneous	20,233	-	20,233	-
Revenue from use of money and property	-	-	-	98,671
Total revenues	<u>1,339,273</u>	<u>-</u>	<u>1,339,273</u>	<u>520,707</u>
EXPENDITURES/EXPENSES				
Cultural library services				
Salaries	482,973	1,292	484,265	-
Grants	18,542	-	18,542	6,144
Books and related materials	82,498	-	82,498	-
Fringe benefits	69,386	3,268	72,654	-
Professional services	62,222	-	62,222	12,684
Computer operations	66,771	(15,284)	51,487	-
Payroll taxes	42,491	-	42,491	-
Building maintenance	48,030	(6,175)	41,855	2,864
Depreciation	-	28,409	28,409	-
Supplies	175,150	(149,545)	25,605	7,797
Utilities	24,650	-	24,650	-
Miscellaneous	16,610	-	16,610	21,723
Equipment maintenance	15,697	-	15,697	-
Insurance	15,429	-	15,429	-
Travel	4,026	-	4,026	-
Vehicle maintenance	3,797	-	3,797	-
Postage	1,948	-	1,948	-
Loan fees and interest	-	-	-	4,747
Advertising	-	-	-	3,267
Total expenditures/expenses	<u>1,130,220</u>	<u>(138,035)</u>	<u>992,185</u>	<u>59,226</u>
Transfers (to) from Eastern Shore Public Library Foundation	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>	<u>70,000</u>
Change in fund balances/net position	139,053	138,035	277,088	531,481
Fund balances/net position, beginning of year	<u>262,929</u>	<u>380,570</u>	<u>643,499</u>	<u>280,669</u>
Fund balances/net position, end of year	<u>\$ 401,982</u>	<u>\$ 518,605</u>	<u>\$ 920,587</u>	<u>\$ 812,150</u>

The accompanying notes to financial statements are an integral part of this statement.

**EASTERN SHORE PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Total Governmental Funds
ASSETS	
Cash and cash equivalents	\$ 403,441
Prepaid expenses	8,666
Total Assets	<u>\$ 412,107</u>
LIABILITIES	
Accounts payable	\$ 8,379
Accrued payroll and related liabilities	1,746
Total Liabilities	<u>10,125</u>
FUND BALANCES	
Unassigned	401,982
Total fund balances	<u>401,982</u>
Total liabilities and fund balances	<u>\$ 412,107</u>

Reconciliation of fund balances on the balance sheet for governmental funds to net position of governmental activities on the statement of net position:

Fund balance - total governmental funds	\$ 401,982
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Total net position reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets

Land	\$ 5,000	
Depreciable capital assets, net of accumulated depreciation	<u>562,953</u>	
Total capital assets		567,953

Items related to the pension plan, such as contributions made subsequent to the measurement date or the difference between projected and actual earnings on plan investments, are reported as deferred inflows or deferred outflows of resources on the statement of net position

Deferred outflows of resources		82,186
Deferred inflows of resources		(144,852)

Long-term liabilities applicable to the Library's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	\$ (17,458)	
Net pension liability	<u>30,776</u>	
Total long-term liabilities		<u>13,318</u>

Total net position of governmental activities	<u>\$ 920,587</u>
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**EASTERN SHORE PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30 2022**

	Total Government Funds
REVENUES	
Fee revenue: Fines, fees, and other	\$ 4,680
Participating localities	
Accomack County	456,916
Northampton County	263,618
Grants	55,750
Intergovernmental	
Commonwealth of Virginia - state aid	289,643
Donations and gifts	248,433
Reimbursements and miscellaneous	20,233
Total Revenues	<u>1,339,273</u>
EXPENDITURES	
Current	
Cultural - library services	959,216
Capital Outlay	171,004
Total Expenditures	<u>1,130,220</u>
Excess of revenues over expenditures	209,053
Other financing sources	
Transfers out	(70,000)
Net change in fund balances	<u>139,053</u>
Fund balances at beginning of year	262,929
Fund balances at end of year	<u>\$ 401,982</u>
Reconciliation between the Change in Net Position and the Change in Fund Balances	
Net change in fund balances	\$ 139,053
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation in the current period	142,595
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred outflows related to the pension plan	9,324
Change in deferred inflows related to the pension plan	(141,855)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	(1,292)
Change in net pension liability	129,263
Change in net position	<u>\$ 277,088</u>

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies

A. Organization and Purpose

The Eastern Shore Public Library (the "Library") is a regional library system which enhances the quality of community life and serves the citizens and visitors of Accomack and Northampton Counties by providing access to information to meet their educational, personal, and professional, and recreational needs. Its headquarters and main library are in Accomack, Virginia, but will be moving to Parksley, Virginia in 2021. The Library is fiscally dependent upon the County of Accomack for its annual contribution. These factors warrant its inclusion in the County of Accomack's reporting entity as a discretely presented component unit. The Library follows both counties' fiscal year: July 1 to June 30.

Formed in 1958 with a Regional Agreement, the appointed Library Board draws its corporate powers from Code section 42.1-37 of the Code of Virginia. The Library's Board consists of nine members, of which six are appointed by and serve at the pleasure of the County of Accomack Board of Supervisors, and three are appointed by and serve at the pleasure of the County of Northampton Board of Supervisors. The Accomack Treasurer serves as the Treasurer and the Library Director serves as the Secretary.

The Library has a branch location, Northampton Free Library, in Northampton County's Town of Nassawadox. The Library has developed affiliated relationships with two additional libraries in Chincoteague and Cape Charles. The Chincoteague Island Library is a 501(c) 3 nonprofit organization and the Cape Charles Memorial Library is a Town municipal library. Both libraries have their own boards. Although not mandated, the Library provides certain materials, equipment, technical services, staff training, and staff support for these affiliated facilities. The library system receives State Aid from the Library of Virginia which the Library administers and from which all four libraries benefit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements report information on all non-fiduciary activities of the Library. Separate financial statements are provided for the governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Library have been prepared in conformity with the specifications promulgated by the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the Library's accounting policies are described below.

Management's Discussion and Analysis - Accounting standards require the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit this narrative overview in this year's report.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Discretely Presented Component Unit - The component unit column in the financial statements includes the financial data of the Library's discretely presented component unit. The component unit is reported in a separate column to emphasize that it is legally separate from the Library.

Eastern Shore Public Library Foundation (the Foundation) was organized in 2009 for the purpose of ensuring the long-term financial stability of Eastern Shore Public Library by securing private financial support and grants for capital needs and endowments. The Foundation has a separate board of directors that is not appointed by the Library. The Library is not financially accountable for the Foundation but is entitled to the economic resources received or held by the Foundation and therefore is presented in the financial statements. A copy of the Foundation's financial statements may be obtained by request from the Library.

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the Library's activities and the Library's discretely presented component unit. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Library and the discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense-the cost of "using up" capital assets-in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues (certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the Library are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and /or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The Library reports the following major governmental funds:

- a. General Fund - The General Fund is the primary operating fund of the Library. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from state and local distributions, donations and gifts, and interest income.
- b. Permanent Fund - The Permanent Fund accounts for and reports resources that are restricted such that only earnings may be used for purposes that support the Library's programs. The Permanent Fund accounts for operations of the Eastern Shore Library Endowment Fund. Transfers of income are made periodically to support Library operations.

D. Related Organizations

Friends of the Eastern Shore Public Library: The Friends of the Eastern Shore Public Library is a 501(c)(3) nonprofit organization which consists of persons from the community interested in supporting the Library's services and facilities. The Friends of the Eastern Shore Public Library has its own board of directors, which is not appointed by the Eastern Shore Public Library. The Eastern Shore Public Library is not financially accountable for the Friends of the Eastern Shore Public Library and is not entitled to the economic resources received or held by the Friends of the Eastern Shore Public Library and therefore is not presented in the financial statements. The Friends of the Eastern Shore Public Library has a fiscal year which ended July 31, 2022. For the year ended June 30, 2022, the Friends of the Eastern Shore Public Library donated \$12,109 to the Eastern Shore Public Library.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Related Organizations (Continued)

Friends of the Northampton Free Library: The Friends of the Northampton Free Library is a 501(c)(3) nonprofit organization which consists of persons from the community interested in supporting the Library's services and facilities. The Friends of the Northampton Free Library has its own board of directors, which is not appointed by the Eastern Shore Public Library. The Eastern Shore Public Library is not financially accountable for the Friends of the Northampton Free Library and is not entitled to the economic resources received or held by the Friends of the Northampton Free Library and therefore is not presented in the financial statements. The Friends of the Northampton Free Library has a fiscal year which ended December 31, 2021. For the year ended June 30, 2022, the Friends of the Northampton Free Library donated \$500 to the Eastern Shore Public Library.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of at least \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	7-40 years
Books	5 years
Equipment	5 years
Vehicles	5 years

F. Cash and Cash Equivalents

Eastern Shore Public Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in U.S. Treasury notes, Federal Home Loan notes, and repurchase agreements.

Money market investments and external investment pools are measured at amortized cost. All other investments are reported at fair value.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

The presentation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Compensated Absences

The Library has a policy which allows for the accumulation and vesting of limited amounts of vacation leave until termination or retirement. The Library has outstanding accrued vacation pay and related benefits totaling \$17,458 at June 30, 2022. The following is a summary of changes in compensated absences in 2022:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
\$16,166	\$1,292	\$ -	\$17,458

I. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

J. Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

K. Fund Balances

Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes corpus of a permanent fund, inventories, prepaid amounts, assets held for sale, and long-term receivables.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

K. Fund Balances (Continued)

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned fund balance - Amounts that are constrained by the Library's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the Library's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

L. Budgets and Budgetary Accounting

A budget is prepared for informational and fiscal planning purposes. The budget is adopted as a planning document and legal control on expenses. The budget is prepared on the same basis of accounting as the actual amounts in the financial statements.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has two types of deferred items that qualify for reporting in this category. The first item is pension contributions made subsequent to the measurement date of the net pension liability, which will be recognized as a reduction to the net pension liability next fiscal year. The second is certain items related to measurement of the net pension liability, including differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

M. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one type of deferred item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

N. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's Retirement Plan and additions to/deductions from the Library's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – Deposits and Investments

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the Library to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2022</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>5,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,000</u>
Total capital assets not being depreciated	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Buildings	660,459	-	-	660,459
Equipment	169,561	171,004	(12,177)	328,388
Vehicle	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Total capital assets being depreciated	<u>852,020</u>	<u>171,004</u>	<u>(12,177)</u>	<u>1,010,847</u>
Accumulated depreciation:				
Buildings	264,184	16,511	-	280,695
Equipment	152,078	7,498	(12,177)	147,399
Vehicle	<u>15,400</u>	<u>4,400</u>	<u>-</u>	<u>19,800</u>
Total accumulated depreciation	<u>431,662</u>	<u>28,409</u>	<u>(12,177)</u>	<u>447,894</u>
Total capital assets being depreciated, net	<u>420,358</u>	<u>142,595</u>	<u>-</u>	<u>562,953</u>
Governmental activities capital assets, net	<u>\$425,358</u>	<u>\$142,595</u>	<u>\$ -</u>	<u>\$ 567,953</u>

NOTE 4 – Collections

The Library has not capitalized its collections of artifacts and archival materials. The Library has a significant number of items that have been donated and have no readily determinable fair value. The Library does not deem the benefit of appraising its collections to exceed the cost to do so.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Long-Term Debt

The Eastern Shore Public Library Foundation's long-term debt consists of the following as of June 30, 2022:

Details:

\$750,000 term loan payable to BB&T dated August 5, 2029; interest-only payments for the first year, then payable in monthly installments of \$22,759, which includes principal and interest at 5.75%. The loan is secured by a property owned by the Foundation.	\$ -
\$150,000 term loan payable to Small Business Administration dated June 8, 2020; no payments for the first year, then payable in monthly installments of \$641, which includes principal and interest at 2.75%.	<u>\$142,591</u>
Total	<u>\$142,591</u>

Changes in long-term debt consist of the following:

Balance at July 1, 2021	\$218,859
Less: Retirements	<u>(76,268)</u>
Balance at June 30, 2022	<u>\$142,591</u>

Annual maturities of long-term debt for the fiscal years ending June 30 are:

Year Ended	Principal	Interest
June 30,		
2023	\$ -	\$ 4,487
2024	3,811	3,881
2025	3,917	3,775
2026	4,026	3,666
2027	4,138	3,554
Afterwards	<u>126,699</u>	<u>42,463</u>
	<u>\$142,591</u>	<u>\$61,826</u>

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's Retirement Plan and the additions to/deductions from the Library's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment are reported at fair value.

Plan Description

All full-time, salaried permanent (professional) employees of the Library are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Same as Plan 1.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none">• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

EASTERN SHORE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - Retirement Plan (Continued)

<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p>	<p>About the Hybrid Retirement Plan (continued)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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